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C O N F I D E N T I A L SECTION 01 OF 03 MEXICO 003053

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E.O. 12958: DECL: 10/21/2019  
TAGS: [ECON](#) [EFIN](#) [ETRD](#) [ENRG](#) [ELTN](#) [EAIR](#) [PGOV](#) [PINR](#) [SENV](#)  
MX  
SUBJECT: TREASURY A/S COHEN AND GOM OFFICIALS DISCUSS  
COOPERATION ON ILLICIT FINANCE ISSUES

REF: A. MEXICO 1308  
[1](#)B. MEXICO 0982

Classified By: Economic Minister Counselor James Williard, reason: 1.4  
(b),(d).

[1](#)1. (U) Summary. On October 1, Treasury Assistant Secretary for Terrorist Financing and Financial Crimes (TFFC) David S. Cohen met with Government of Mexico (GOM) officials in Mexico City, Mexico to discuss the collaboration between the GOM and U.S. Treasury on joint efforts to target the finances and illicit financial activities of the drug cartels. Discussions focused primarily on issues related to information sharing, technical assistance, and cooperation on investigations. A/S Cohen underscored Treasury's commitment to dismantling and defeating organized criminal groups through targeted work against money laundering and developing Mexico's capacity to undermine the profitability of the cartels.

Hacienda  
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[1](#)2. (C) In his meeting with Ministry of Finance (Hacienda) Secretary Agustin Carstens ) who was accompanied by Luis Urrutia, head of the Financial Intelligence Unit (UIF), and Alfredo Gutierrez, head of the Tax Administration Service (SAT) ) A/S Cohen summarized Treasury's plan of action to target the illicit financial networks of the Mexican drug cartels. Treasury's efforts are focused on increasing coordination with GOM counterparts (mainly Hacienda) on the use of targeted financial measures, intelligence gathering, information sharing, and capacity building assistance. A/S Cohen highlighted Treasury's cooperation with the UIF on this front, and underscored the importance of Treasury's Kingpin designations in targeting Mexican drug traffickers.

[1](#)3. (C) Carstens thanked Treasury for assistance and cooperation on illicit finance issues. He noted that the National Banking Commission (CNBV) and the UIF have upgraded their anti-money laundering (AML) capacities. Challenges remain, however, in linking information on financial transactions with organized criminal activity. To confront this challenge, Carstens said Hacienda is currently in the process of putting together an interagency group, coordinated by the UIF. He identified intelligence mapping/gathering as one area of weakness where they could use more resources and technical assistance. Carstens added that better information

flow from the U.S. would greatly complement this effort and requested increased provision of information from the U.S. on financial transactions occurring in the U.S.

#### Financial Intelligence Unit (UIF)

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14. (C) A/S Cohen also met separately with Urrutia, head of Hacienda's UIF. Urrutia expressed his concerns about Mexico's new asset forfeiture law passed earlier this year (see reftels). He noted that the UIF's efforts to convince the Attorney General's Office (PGR) and Congress to incorporate more practical elements into the law were unsuccessful, and there is a great deal of uncertainty about how it will operate. The law will, however, give the GOM a new tool to combat organized crime. The PGR is currently hiring more accountants to enhance the capacity of PGR prosecutors to develop cases. Mexico's principal AML oversight problem, however, is related to investigations (obtaining information from banks, gaining access to tax databases, etc.). The CNBV has the knowledge to conduct financial analyses, but there are an insufficient number of field investigators to identify financial criminal activity. Urrutia lamented that the Tax Administration Service (SAT), because of limited human resources, focuses almost exclusively on tax collection.

15. (C) Urrutia also mentioned that the main opposition political party (the Institutionalized Revolution Party, PRI) recently presented a bill to reform the UIF. Elements of the reform would include regulating jewelers, casinos, and other

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designated non-financial businesses and professions (DNFBPs).

According to Urrutia, the original bill contained some good ideas, but certain technicalities had to be worked out. The UIF worked with the PRI to address these issues and the bill was re-introduced recently. According to Urrutia, the UIF will supervise this regulation.

16. (C) On the subject of information sharing, Urrutia explained that the GOM is working to enhance its own interagency coordination, and he went on to emphasize the importance of close coordination with USG counterparts. Urrutia specifically mentioned the need to coordinate closely with the PGR's Organized Crime Division (SIEDO) on narcotics cases, although he did acknowledge the mistrust that exists with the PGR because of infiltrations as well as the state of flux in which the PGR now finds itself because of the recent change in Attorney Generals.

#### National Banking Commission (CNBV)

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17. (C) A/S Cohen met with CNBV's President, Guillermo Babatz Torres and Pablo Gomez, the Director General of CNBV's Illicit Operations Division. Babatz and Gomez explained that the CNBV currently supervises and regulates compliance with Anti-Money Laundering and Counter-Terrorism Finance (AML/CTF) laws for 399 entities under its jurisdiction. The CNBV supervises these entities through inspection visits and the review of information on unusual currency transactions that the CNBV receives through an automated system. The CNBV is responsible for imposing sanctions for non-compliance with AML/CTF laws and responding to information requirements issued by federal courts, the PGR, and/or the UIF. The CNBV officials noted that there is legislation pending in Congress that would require unlicensed exchange houses (cambiaros) to observe AML/CFT laws, and that would transfer the supervision of centros cambiarios from the SAT to the CNBV.

18. (C) This past January the International Monetary Fund (IMF) began a technical assistance program with the CNBV for the purpose of developing a new risk-based AML/CTF supervision methodology that would enable the CNBV to focus

supervision efforts on entities which pose a higher risk. The CNBV has also been revising AML/CTF sanction criteria to achieve a better degree of compliance, and is strengthening the structure and staffing of the office responsible for the CNBV's AML/CTF efforts. Babatz noted that the CNBV stepped up efforts in dealing with casas de cambio, deemed to be high risk financial entities. At the beginning of the Calderon Administration (2006) there were 25 casas de cambio operating in Mexico; now only 9 of them remain in business. The CNBV views the decrease in the number of casas de cambio operating in Mexico as a positive development.

¶9. (C) Babatz closed by mentioning that there have been improvements in tracking the flow of U.S. dollars into Mexico's financial system because of the increased use of electronic transfer mechanisms. Babatz then cautioned that it would be counterproductive to the GOM's AML/CTF efforts if U.S. enforcement measures against illegal immigrants dissuaded immigrants from using electronic transfers.

Tax Administration Service (SAT)

¶10. (C) A/S Cohen met with Alberto Real Benitez, General Administrator, Tax and Customs Administration (SAT) and Juan Aguilar, Central Administrator for Fiscal Tactical Analysis, SAT. A/S Cohen was presented with an overview of Mexican money remitter (MR) and exchange center (EC) financial activity, which constitutes over 80% of Mexico's financial sector. As of August 2009, there were 2362 MRs and ECs registered with the SAT (note: the estimated number of unregistered MRs and ECs varies and could be as high as 8,000). So far this year there have been 5,840 relevant, unusual, and concerning transaction reports filed by MRs and ECs. Notably, the SAT maintains a risk matrix that groups MRs and ECs according to their geographic risk (e.g. MRs and

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ECs at the U.S.-Mexico border are in the high-risk group, whereas the SAT groups MRs and ECs along Mexico's southeast border with Central America as low risk). SAT officials revealed that the number of MRs and ECs classified in the highest risk group increased by almost 24% from January to August 2009 and now represents over 40% of the total registered. SAT officials also referenced the legislation pending in the Senate that will transfer supervisory authority of unlicensed ECs to the CNBV. The SAT expressed endorsement for this legislation and is prepared to work together with the CNBV once the legislation is passed and the transition of supervisory authority occurs. Visit Mexico City's Classified Web Site at <http://www.state.sgov.gov/p/wha/mexicocity> and the North American Partnership Blog at <http://www.intelink.gov/communities/state/nap/> / PASCUAL